Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Presubscribed Interexchange Carrier Charges	)	CC Docket No. 02-53
	)	
	)	CCB/CPD File No. 01-12
	)	
	)	RM-10131

REPLY COMMENTS OF SBC COMMUNICATIONS, INC.

SBC Communications Inc. ("SBC") hereby files these reply comments in response to comments filed in the above-captioned docket.[1] Commenters supporting re-examination of the Commission's preferred interexchange carrier ("PIC") change policies have not shown that the existing $5.00 safe harbor is unreasonable. As SBC and other providers demonstrated in their comments, many costs associated with PIC changes have increased, not decreased, since 1984, thereby warranting retention of the existing $5.00 safe harbor.

SBC concurs with NASUCA and other commenters[2] that a safe harbor approach is the most appropriate method of establishing the PIC-change charge. A safe harbor effectively preserves Commission resources by eliminating the need for Commission staff to review cost studies, promotes uniformity in the industry, and provides certainty regarding the reasonableness of rates. Further, as SBC, BellSouth, Cincinnati Bell, Sprint, Verizon and other commenters

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[1] *Presubscribed Interexchange Carrier Charges*, CC Docket No. 02-53, CCB/CPD File No. 01-12, Order and Notice of Proposed Rulemaking, 17 FCC Rcd 5568(2002). ("*Notice*").

[2] Beacon Comments at 2; Cincinnati Bell Comments at 2; NASUCA Comments at 3-5; NECA Comments at 2; NTCA Comments at 2-4; SBC Comments at 9; Sprint Comments at 3-5; Verizon Comments at 2-4.

demonstrate in their comments, PIC-change processes involve a myriad of costs at, near or in excess of the existing $5.00 safe harbor, rendering the existing $5.00 a reasonable benchmark for PIC changes.

Several commenters argue that the existing $5.00 safe harbor is unreasonable given technological advancements.[3] These commenters focus on the fact that PIC changes are processed mechanically and claim that mechanization produces substantial cost savings for LECs. However, as the commenters that actually provide this service have demonstrated in this proceeding, the mechanization of the PIC-change process has not translated into significant cost savings. First, a substantial number of PIC change requests — in excess of 50% for many commenters — continue to be processed manually, which belies claims by AT&T, WorldCom and ASCENT that PIC-change costs have been reduced. Second, the complexity of mechanized systems has increased since 1984 due to market and regulatory requirements, resulting in significant ongoing costs. Third, as SBC, Cincinnati Bell, Sprint, Verizon and BellSouth state in their comments, a significant number of PIC changes processed via mechanized systems drop out of the system and require human intervention to resolve, which translates into additional costs. Thus, the fact that some PIC changes are processed mechanically does not mean the PIC-change costs overall have decreased. Rather, as the record shows, some PIC-change costs have increased, offsetting many of the cost savings achieved through mechanization.[4]

ACUTA and ASCENT argue that BellSouth's PIC-change charge of $1.49 and SNET's PIC-change charge of $2.30 demonstrate that PIC-change costs have decreased and that the

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[3] ACUTA Comments at 2; ASCENT Comments at 5-6; AT&T Comments at 8-11; WorldCom Comments at 7.

[4] See BellSouth Comments at 2-5; Cincinnati Bell Comments at 5; SBC Comments at 4-6; Verizon Comments at 5-8.

existing $5.00 safe harbor is too high.[5] BellSouth, however, explains in its comments that it made some incorrect assumptions when it lowered its PIC-change charge, namely that most PIC changes would be processed mechanically and that its existing mechanized system would be sufficient. According to BellSouth, its PIC-change costs have actually increased and its $1.49 PIC-change charge is insufficient to allow BellSouth to recoup its costs.[6]

Similarly, as SBC explained in its comments opposing initiation of this rulemaking, SNET failed to include significant costs associated with PIC changes in its PIC-change charge.[7] For example, SNET's cost study failed to include common costs, service order computer processing costs, slamming allegation processing costs, preferred carrier freeze administration costs, and costs associated with CARE tape processing and updating the MARCH switching database. Further, the cost study included lower labor costs than actually realized and a lower estimated number of manual PIC changes.[8] As a result, SNET is underrecovering its costs for PIC-change services. Neither BellSouth nor SNET's PIC-change charges, therefore, can be used by the Commission as a reasonable gauge of carriers' costs in providing PIC-change services.

Moreover, SBC has previously justified its PIC-change costs. As recently as 1999, Ameritech filed a cost study with the Commission that supported a PIC-change charge of $5.00 per additional line or trunk.[9] This cost study was not deemed unreasonable by the Commission.

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[5] ACUTA Comments at 2; ASCENT Comments at 2-6.

[6] BellSouth Comments at 4-5.

[7] SBC Reply Comments to CompTel's Petition for Rulemaking at 2.

[8] SNET's cost study estimated that manual changes would represent 30% of PIC changes when in actuality manual PIC changes represent 57% of SNET's PIC changes.

[9] AIT Transmittal 1197, March 9, 1999, was filed on 15 days notice and thus is deemed lawful.

The existing $5.00 safe harbor, accordingly, is reasonable and justifiable, and should be retained by the Commission.

Several commenters oppose the inclusion of preferred carrier freeze costs or slamming costs in the PIC-change charge.[10] The Commission should reject these comments. As SBC and other commenters demonstrate in their comments, preferred carrier freeze administration of interstate toll services requires human intervention, which translates into labor costs. LECs, without question, are entitled to recover these costs, and these costs, as the Commission has previously recognized, are appropriately recovered through the PIC-change charge. WorldCom claims that most consumers do not use preferred carrier freezes, but this is incorrect. For example, based on April 2002 data, 35% of Ameritech's local customers have taken advantage of this service offering for interstate toll services, many at the behest of IXCs like WorldCom.[11] WorldCom cannot incent customers to switch to WorldCom and establish freeze protection, and in the same breath argue that LECs should be precluded from proper recovery of all of the associated costs.

Further, ASCENT and WorldCom argue that all carriers have slamming administration costs, thus LECs should not be permitted to recover slamming costs from PIC-change charges.[12] While it is true that all carriers have slamming administration functions, LECs are in a unique position because LECs, unlike IXCs, act as executing carriers for interstate toll services. In this capacity, LECs have additional obligations not imposed on the IXCs. For example, LECs must notify the authorized and allegedly unauthorized carrier of the slam and LECs must respond to

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[10] ASCENT Comments at 1-2; NASUCA Comments at 7-9; WorldCom Comments at 4-5.

[11] Sprint also offered customers an incentive to add freeze protection to their account on becoming a Sprint long distance customer.

[12] ASCENT Comments at 8-10; WorldCom Comments at 5-6.

inquiries from the FCC or state commissions regarding their role as the executing carrier. These costs are tied to the alleged unauthorized PIC change and accordingly should be recouped through the PIC-change charge. Further, LEC rates, unlike their IXC counterparts, are regulated. LECs cannot simply pass on their slamming costs as they see fit like some IXCs have done with universal service fund obligations.

NASUCA argues that LECs should recover any slamming costs from the unauthorized carrier.[13] As the Commission is well aware, executing carriers do not perform the primary investigative function when a slam is alleged. Accordingly, they are in no position to police whether a slamming allegation is valid, which would be necessary to assess any fee to recoup costs for performing their executing carrier responsibilities. The PIC-change charge is the best means for LECs to recover the costs of making the PIC change and processing slamming allegations associated with interstate toll services.

In addition, WorldCom argues that the Commission should set the PIC-change charge based on the most technologically efficient system.[14] The Commission should reject this proposal outright. The Commission has never dictated the type of process carriers must employ to process PIC changes. As the record reflects, some carriers employ only manual processing while others employ a mix of manual and automated processing of PIC changes. To base the PIC-change charge on the most technologically efficient system would unquestionably deny LECs the ability to recover their costs, which would affect the PIC-change services available to consumers.

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[13] NASUCA Comments at 7-9.

[14] WorldCom Comments at 7.

BellSouth supports regulation of PIC-change charges under the price cap rules.[15] SBC believes that this proposal is beyond the scope of this proceeding. In any event, SBC believes the $5.00 safe harbor effectively acts as a price cap and constrains the ability of LECs to charge artificially high or unreasonable charges for PIC-change services.

For the foregoing reasons, SBC requests that the Commission retain the existing $5.00 safe harbor.

Respectfully Submitted,

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July 1, 2002

[15] BellSouth Comments at 3-4.

CERTIFICATE OF SERVICE

I, Lacretia Hill, do hereby certify that on this 1st day of July, 2002 a copy of the foregoing "Reply Comments " of SBC Communications was served by U.S. first class mail, postage paid to the parties on the attached sheets.

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